

**MINUTES OF A MEETING  
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION  
BOARD OF DIRECTORS**

**September 30, 2016**

A Regular Meeting of the Board of Directors of the Kentucky Workers' Compensation Funding Commission was held on September 30, 2016, in the Commission's conference room, located at #42 Mill Creek Park, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order, verified that proper notice had been given to the media and KWCFC Directors, and asked for a roll call.

**Directors Present:**

Judy Long, Self-Insured Employers Representative  
Bill Finn, Labor Representative  
Derrick Ramsey, Secretary, Labor Cabinet  
Edwin King, Designee for Secretary William Landrum, Finance & Administration Cabinet  
Lauren Moore, Proxy for Interim Secretary Dunnigan, Cabinet for Economic Development  
Duran Hall, Commercially Insured Employers  
Michelle Landers, KEMI, Insurance Representative

**Others Present:**

Reuben Jones – Executive Director, KWCFC  
Renee Haddix – Director of Audit and Collections, KWCFC  
Louie Hord – Director of Fiscal Operations, KWCFC  
Lisa King – Audit Review Manager, KWCFC  
Tammera Nolen – Fiscal Services Officer, KWCFC  
Angela Calloway – Administrative Services, KWCFC  
Gordon Stammel – Computer Network Manager, KWCFC  
Michael Swansburg – General Counsel, Labor Cabinet  
Brooken Smith – Chief of Staff, Labor Cabinet  
Stephen Jones – Office of Financial Management  
Dwight Lovan – Commissioner, Dept. of Workers' Claims  
Christine Gordley – OSBD  
Judith Erickson – Director, Division of Workers' Compensation Funds, Labor Cabinet  
Steve Lattanzio – Actuarial Solutions, LLC  
Ed O'Daniel – Attorney  
William Emrick – Department of Worker Claims  
Jesse Leach – GAPS – Division of Budgets  
Andrew Manno – Legislative Research Committee

**Approval of Minutes:**

Secretary Ramsey made a motion to approve the July 21, 2016 minutes. Michelle Landers seconded. Motion carried.

The Board recognized Commissioner Lovan for receiving the Francis Perkins Award which recognizes a leader who is a role model for innovation and progressive leadership in workers' compensation and social security.

**Financial Report:** Louie Hord (report on file for referral).

Louie Hord reviewed year to date budget versus actual expenses for KWCFC, the year to date internal financial statements, and fiscal year to date interagency transfers made by KWCFC for the period ending August 31, 2016.

Bill Finn made the motion to accept the Financial Reports as presented. Duran Hall seconded the motion. Motion carried.

**Investments:** Steve Jones, OFM (report on file for referral).

In lieu of a full investment discussion, Steve Jones provided an update of actions since the last board meeting. Steve said all the recommendations approved at the last board meeting had been executed. He then stated he purchased approximately \$50 million of "on the run" 10 year treasury securities for the Security Lending program that was approved at the last board meeting. On August 16, the "on the run" 10 year treasuries were rolled into a new "on the run" 10 year treasury. Due to speculation by hedge fund managers that long term interest rates would increase, they shorted the treasuries we purchased and the treasuries went negative beyond fail and created an opportunity for significant profits as the "on the run" 10 year treasury returned \$56,893 for the period from August 16, 2016 to September 14, 2016. If we had not executed the "on the run" 10 year treasury we would have only earned approximately \$5,204. Steve said that he had projected that we could earn approximately \$100,000 profit off of the "on the run" treasuries for the year but after only one month we had earned approximately \$50,000 or ½ of the projected amount for the year. Therefore this move has already proved to be very profitable. Steve then concluded his presentation.

Michelle Landers made the motion to accept the investment report. Bill Finn seconded the motion. Motion carried.

**Actuary Report:** Steve Lattanzio, Actuarial Solutions, LLC (report on file for referral).

Mr. Lattanzio presented the results of his firm's actuarial analysis of the Special Fund and the Coal Workers' Pneumoconiosis (CWP) Fund. Mr. Lattanzio's presentation provided analysis and trends to assist the Board with its requirement to set rates for 2017 for the Special and CWP Funds. All questions by the Board were answered and Mr. Lattanzio informed the Board that he was available if other questions or concerns arose.

Bill Finn made the motion to accept the Interim Actuarial Report. Michelle Landers seconded the motion. Motion carried.

**2017 Assessment Rate:** Reuben Jones (report on file for referral).

Reuben Jones made a presentation as to the legal requirements to follow in setting the rates and discussed alternative rates for the Special and CWP Funds. Based upon the



actuary information and the legal requirements, Reuben Jones stated that the KWCFC staff recommendation for the 2017 assessment rates on all employers, coal additional and coal tonnage were as follows. The staff's recommendations were 6.29% (point estimate) for all employers and 49.50% (alternative optimistic) for coal additional and 41.74 cents per ton (alternative optimistic) for coal tonnage.

Duran Hall made the motion to accept the Special Fund assessment rate of 6.29% as recommended. Secretary Ramsey seconded the motion. Motion carried.

Bill Finn made a motion to accept the Coal Premium rate of 49.5% and the Coal Tonnage rate of 41.74 cents per ton as recommended. Lauren Moore seconded the motion. Motion carried.

**Audit & Collections Update:** Renee Haddix (report on file for referral).

Renee Haddix presented an update on the number of audits ongoing and completed. She reported that the audit staff continues on a 2 year audit cycle.

Bill Finn made the motion to accept the Audit and Collections report as presented. Michelle Landers seconded the motion. Motion carried.

**Executive Session:**

Judy Long, Chair, asked for a motion to go into executive session under KRS 61.810 (1) (c), (f) and (j) to discuss personnel, penalty waivers and litigation.

Duran Hall made the motion to go into executive session. Secretary Ramsey seconded the motion. Motion carried.

**Open Session:**

Duran Hall made the motion to return to open session. Michelle Landers seconded. Motion carried.

**Personnel:**

Edwin King made the motion to hire Tyler Quisenberry as Insurance Compliance Auditor Level I at a salary of \$37,880. Duran Hall seconded the motion. Motion carried.

Edwin King made the motion to hire Tyler Paske as Insurance Compliance Auditor Level I at a salary of \$37,880. Lauren Moore seconded the motion. Motion carried.

Edwin King made the motion to hire Estée Jackson as Fiscal Services Officer at a salary of \$38,000. Lauren Moore seconded the motion. Motion carried.

Edwin King made motion to hire a Legal Counsel on a part time basis not to exceed 100 hours monthly or \$55,000 annually. Michelle Landers seconded the motion. Motion carried.

**New Business:**

**E-Pay/E-File system:** Reuben Jones discussed the need for some new enhancements to the E-Pay/E-File system. He said that some Funding Commission staff had recently met with Kentucky Interactive (KI) with a list of 12 enhancements for the E-Pay/E-File system. After discussion with KI, they agreed that 8 of the enhancements were covered under our old contract and they would determine the cost for the other 4 enhancements. KI provided a cost estimate of \$1500 for the 4 enhancements. Reuben also said the Funding Commission had to run these enhancements by COT to get their approval prior to executing.

Bill Finn made the motion to approve the enhancements at a cost not to exceed \$1,500 plus any COT charges. Secretary Ramsey seconded the motion. Motion carried.

**Audit Software:** Lisa King discussed the need for a new audit system and informed the Board they were in the process of looking at new audit software and would present their findings and decision at a future Board meeting.

**D&O Contract Update:** Louie Hord.

A RFP has been prepared and issued by the Department of Insurance and they are waiting on bids from the RFP to evaluate and award the contract for the D & O insurance coverage for the Funding Commission.

**Adjournment:**

Duran Hall made the motion to adjourn. Secretary Ramsey seconded the motion. Motion carried.

  
Chairman of the Board